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Solid Wood Products

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Report Highlights:

As the economic outlook improves and the construction and furniture industries recover, forest products consumption and imports will increase. Traditionally, these sectors have consumed the largest percentage of forest product production and imports. However, trade of softwood and hardwood plywood will depend on the current safeguard investigation initiated on August 15, 2002 by the Government of Mexico.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Mexico [MX1], MX

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Economic Outlook:

The outlook for the overall Mexican economy in CY 2002 continues to be pessimistic as a result of the slow economic recovery in the United States, which continues to spill over into Mexico. Most private economists estimate that the GDP growth will be only 1.5 percent in 2002. Private economists estimate that this year's economic performance could either decline by having negative impacts on the consumer purchasing power, thereby decreasing domestic demand for almost all solid wood products or remain stagnant, due to decreases in government spending and a slow down in the construction sector. Inflation in CY 2002 may be slightly higher than it was in CY 2001. The inflation rate for CY 2001 was 4.4 percent and forecasters are predicting a 4.8 percent inflation rate for CY 2002.

According to private analysts, for the second semester of 2002, the peso will probably continue to weaken, which will lead to a tighter monetary policy. Evidence suggests that foreign direct investments (FDI) flows have held up well in the context of sluggish economic recovery, concerns over US financial markets, and doubts about the strength of the US economy. In addition, high oil prices provide support both for Mexico's public sector accounts and for its balance of payments position.

However, other economic data suggests otherwise. Mexico's economic recovery has been sluggish and recent export data indicates that a more robust upturn is unlikely in 2002. Mexican exports are likely to cool in the coming months, after rapidly growing in the second quarter. US economists expect that US imports, which expanded at a rate of 28 percent in the second quarter of 2002, will probably decline to 5 percent growth for the remainder of the year. US imports outstripped final demand in the second quarter, suggestive of inventory building during the quarter. To prevent an excessive inventory build-up, imports should slow, as should Mexican exports.

As the Mexican economy is almost entirely dependent on the U.S. business cycle, prospects for economic recovery are closely linked to the U.S. economy. President Fox has been unable to push through key structural reforms in his first year and a half in office, such as an overhaul of the tax structure and an opening of the electricity sector to private investment. Consequently, the consolidated public sector deficit remains stuck at around 4 percent of GDP, leaving little room for a fiscal expansion. Without a liberalization of the electricity sector, chances for a significant pick up in investment are limited, private economists estimate. While FDI has held up in 2002, FDI flows will be sharply below those of last year. Some private analysts believe that FDI will be approximately U.S. \$12.5 billion in 2002, which should cover around 65 percent of the current account deficit, as opposed to more than 100 percent, as was the case in 2001. Risk aversion toward emerging markets assets emanating from Brazil could increase in the coming months. In light of these factors, the Mexican peso remains vulnerable to further weakening.

Three to Five Year Outlook for the Forest Products Sector

Mexico's ability to supply its own wood product needs will continue to be restricted by limited timber resources. The forest sector's lack of competitiveness arises from deeper, structural causes, such as inadequate infrastructure, insufficient credit, lack of government investment, and communal land rights as embodied in the ejido system of land tenure. The lack of competitiveness is evident in the plywood industry, which has been severely hurt in recent years by import competition from several countries and the

limited availability of raw materials. Also, some forest products have had a substantial increase in imported volumes. Currently, import tariffs for US wood products are low or zero. After the elimination of all import tariffs in January 2003, trade barriers may affect the imports of US forest products (see Policy Section). Despite this, the perspective over the medium-term continues to be positive for U.S. forest exports, as Mexico will continue to be a net importer of raw materials and semi-finished products. Although the United States should continue to be Mexico's largest supplier, the U.S. forest products industry will continue to face strong competition from other countries such as Chile and Canada, among others.

Phytosanitary Issues

The proposed regulations NOM-016-RECNAT-1997 and NOM-017-RECNAT-1997, which regulate sawn lumber and used wood respectively, have not been published as final rules yet (see MX0154). Similarly, SEMARNAT has yet to publish the final rule of the NOM-014-RECNAT-1997, which regulates the importation of new or used wooden pellets, crates or other packing boxes (see MX7069). SEMARNAT officials, however, indicated that this regulation could be modified in order to follow WTO guidelines.

Policy

The Secretariat of Economy (SE) announced on August 15, 2002, in Mexico's "Diario Oficial" ("Federal Register"), the initiation of an official global safeguard investigation against all plywood imports. The investigation is in response to a petition submitted by Mexico's National Association of Plywood Producers (ANAFATA). The official announcement did not include the immediate imposition of countervailing duties. At issue is U.S. production for plywood (See MX 2115). The period of investigation is from January 1 - December 31, 2000. The U.S. forestry industry, as well as the Mexican Association of Forest Product Importers (IMEXFOR), are both working to defend themselves against this potential safeguard action. The due date for a final resolution of this investigation will be July 4, 2003.

ANAFATA has been concerned for many years about the unfair competition of tropical plywood from Indonesia and Malaysia and softwood plywood from Chile (see MX 1176 and MX9139). Given this history, this announcement is considered to be coincidental to the approach of 2003, the next phase of NAFTA in which tariffs and TRQs on almost all agricultural commodities will be eliminated. It is unclear to what extent this safeguard action will be directed at U.S. plywood as, historically, U.S. softwood plywood imports have not been a source of complaint for ANAFATA and because the niche market they occupy does not compete directly with Mexican plywood products. The U.S. softwood plywood is used mainly for form work whereas the domestic plywood is used mostly by the Mexican furniture industry. Nonetheless, U.S. plywood imports represent 50 percent of all Mexican plywood imports and have increased significantly in the past two years, which is why they are specifically mentioned in this announcement and which may be the reason why they are now being singled out for safeguard action. The remaining 50 percent of imports is mostly comprised of imports from Chile, Malaysia, and Indonesia – the other three countries which stand to be adversely impacted by a safeguard action. The announcement specifically mentioned that plywood imports from Canada and Ecuador, which, in percentage terms, constitute less than one percent of total imports, would be considered in the investigation but are not being viewed as having contributed significantly to the damage suffered by the Mexican plywood industry.

Estimated Prices and Custom Cash Account Systems

Despite confirmation from ANAFATA that Mexican Customs' implementation of a reference pricing and the Custom Cash Account systems (see MX 0154 and MX1176) have substantially reduced the under-invoicing and the contraband that Mexican plywood manufacturers had alleged were occurring on tropical hardwood plywood imported from Malaysia, imports of these products have continued to increase sharply. For 2001, for example, Mexico imported approximately 67,911 m³ of tropical hardwood plywood from Malaysia, an increase of 212 percent compared to 2000. Similarly, for the first six months of 2002, the imports of softwood and temperate hardwood plywood have increased 1 and 5 percent respectively, compared to the same period of 2001.

International Trading Environment

Under NAFTA, Mexico instituted tariff rate quotas for seven products (see the table below), mainly covering softwood chips and planks. On March 6, 2002, Mexico's Government announced in the Diario Oficial the auction for "Quota Certificates" (Certificados de Cupo) to import wood products from the United States for 2002 (see MX 2042). These TRQs expire on December 31, 2002. The auctions for the quota certificates took place on April 8, 2002 and the results were as follows:

RESULTS OF AUCTION OF PERMITS TO IMPORT U.S. WOOD PRODUCTS IN 2002

Auction number	Tariff number	Original TRQ (MT)	Mexican Allocations (MT)	Quota Unallocated (MT)
019/2002	4407.10.01	119,700	0	119,700
020/2002	4407.99.99	2,470	600	1,870
021/2002	4407.10.02	9,500	0	9,500
022/2002	4407.91.01	3,325	3,325	0
023/2002	4403.10.01	14,250	0	14,250

Because of NAFTA, the import duties for these products have been lowered to one percent for the year 2002. However, many importers preferred paying the import duty rather than participate in a cumbersome bidding process.

Third-Party Competition

Despite the fact that the United States has the largest share of the Mexican import market for forest products (approximately 70 percent), there is an increased competition from several countries, such as Malaysia, Indonesia, Chile, Canada and Brazil. Chile, Indonesia and Canada in particular continue to aggressively penetrate the Mexican softwood, tropical hardwood and plywood market by offering low-priced products. In 2001, for example, Mexico imported U.S.\$142 million of coniferous lumber. The

top 5 suppliers of softwood lumber to Mexico were (in descending order): United States, Chile, Brazil, Canada and Argentina. For first quarter 2002, total softwood lumber imports to Mexico are up 17.7 percent when compared to the same period last year. Also in the first quarter of 2002, U.S. softwood lumber shipments were down 7.8 percent to U.S.\$16.3 million, while Chile grew an impressive 83.6 percent to \$14.2 million.

According to industry sources, however, there are an important number of importers which are interested in sourcing U.S. kiln-dried lumber (mostly pine), and of higher density than what they are getting from domestic lumber or from Brazil and Chile. It seems that the imports from these two countries are not meeting the needs of all the Mexican end users. High strength properties, grading uniformity, and consistent supply are attributes that portions of wood users in Mexico continue to demand.

A free trade agreement was signed between Mexico and the European Union (EU), which went into effect on July 1, 2000. This agreement is expected to strengthen Mexico's strategic position in world trade. Under this agreement, tariffs will be eliminated over a period not to exceed 10 years. Tariffs on industrial products in the EU and Mexico will be eliminated faster than those on agricultural products (by January 1, 2007, with the bulk of it by January 1, 2003). The EU will eliminate all industrial tariffs, including those on wood products by 2003. It should be noted that EU tariffs on many wood products were already eliminated on July 1, 2000, when the agreement entered into force. On the other hand, Mexico will eliminate all tariffs on wood products by January 1, 2007, with many of them slated to be completely phased out on January 1, 2005 or January 1, 2007.

Market Development Strategies

Industry sources pointed out that to be successful in selling hardwood and softwood products to the Mexican market, a U.S. company needs to invest the necessary time researching the market to see if it can supply the products that are demanded by the customer. It is essential, for example, that all prospects are contacted for further exposure to U.S. hardwood and softwood products such as structural panels in materials handling applications, for example. Sources stated, however, that U.S. supplier will lose in the "price game" as competition from low-cost producers is strong and increasing. Fortunately, the U.S. supplier still has important advantages such as: proximity and lower freight costs, product quality, grading uniformity, species strength and perceived value. It is up to the American suppliers to commit to the Mexican market and find customers looking for a high quality product. Anyone trying to market their products should remember to be flexible and that customers' needs will vary. While the U.S. has an obvious quality advantage in its products, it is important for U.S. marketers to remain flexible in understanding and responding to customer needs, as it is that flexibility which is key in remaining competitive. In addition, USDA's Commodity Credit Corporation also offers credit guarantees for U.S. exporters to Mexico under the GSM-102 and Supplier Credit Guarantee programs, which could assist in financing exports to Mexico.

Production

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
Country:	Previous	Current	Following
Report Year: 2002	Calendar Year (2001)	Calendar Year (2002)	Calendar Year (2003)
Total Land Area	196.70	196.70	196.70
Total Forest Area	141.70	141.70	141.70
--of which, Commercial	21.00	21.00	21.00
----of commercial, tropical hardwood	NA	NA	NA
----of commercial, temperate hardwood	NA	NA	NA
----of commercial, softwood	NA	NA	NA
--of forest area, noncommercial	9.70	9.70	9.70
Forest Type	30.2 1/	30.2 1/	30.4 1/
--Of which, virgin	NA	NA	NA
--Of which, plantation	0.34	0.34	NA
--Of which, other commercial (regrowth)	NA	NA	NA
Forest Ownership			
--Nationally owned and no commercial access	9.00	9.00	NA
--Nationally owned, commercial logging permitted	7.00	7.00	7.00
--Other publicly owned land, no commercial access	NA	NA	NA
--Other publicly owned, logging permitted	113.4 4/	113.4 4/	113.4 4/
--privately owned commercial forest	NA 2/	NA 2/	NA 2/
Total Volume of Standing Timber	2,803.49	2,803.49	2,803.49
--Of which, Commercial Timber	NA	NA	NA
Annual Timber Removal	7.5 3/	7.5 3/	7.5 3/
Annual Timber Growth Rate	35.10	35.10	35.10
Annual Allowable Cut	2.80	2.80	NA
1/ Correspond to temperate-cold climate forest, of which 68 percent are softwoods and 32 percent are hardwoods 2/ 21.2 million hectares are privately owned but there is no specified commercial area 3/ Annual Average 4/ Correspond to communal property ("ejidos") but there is not specified commercial area Source: The Secretariat for the Environment and Natural Resources (SEMARNAT) based on The National Forest Inventory, 1994.			

Forest Situation

Forest information continues to be based on the National Forest Inventory of 1994 as the Secretariat for the Environment, Natural Resources (SEMARNAT) did not publish the National Inventory 2000-2001. According to SEMARNAT officials, this inventory was not published due to use of inappropriate methodology in accurately estimating the forest situation, but rather because of lack of budget resources. SEMARNAT officials estimate that the next National Forest Inventory will not be published until 2005.

Mexico's total forest resource base is estimated at 56.7 million hectares, which breaks down as follows:

Mexico's Major Forest Types	Forest Sub-Types	Million Hectares	Percentage of Total Area
	Softwoods	20.8	68%
Temperate-Cold Climate	Hardwoods	9.6	32%
	Subtotal	30.4	100%
	Highland mid-forest	5.8	22%
Tropical-Subtropical	Low tropical forest	10.9	41%
	Other	9.6	37%
	Subtotal	26.3	100%

Mountain ranges dominate Mexico's topography. These ranges have serious implications for forestry and forest-related activities because most of Mexico's forests are located in these mountainous areas. Unfortunately, difficult terrain and insufficient access to rivers make transportation of timber and other materials challenging and costly.

According to the Government of Mexico (GOM), the forest sector's main problems can be generalized as follows: a) insecurity of land ownership, leading to short-term production decisions and unfavorable investment climate; b) insufficient organization of communal property (*ejido*) and local communities as units of commercial forest production; c) localized over-exploitation of resources; d) negative trade balance in forest products; e) noncompetitiveness of the forest sector internationally; f) environmental degradation, which is closely linked to poverty-induced behavior, and g) inadequate institutional and legal frameworks to promote sustainable production, resulting in high transaction costs and lack of consistency in regulations.

This sector continues to be afflicted by insufficient resources for forest harvesting, inadequate basic infrastructure for distribution of raw materials, low productivity per hectare, and limited use of forestry techniques. SEMARNAT estimates that less than one-half of the total forest resource base is available for commercial purposes: approximately 15 million hectares of temperate forest, and six million hectares of tropical forests. Only one-third of the total area used for commercial purposes, however, is under a management plan. Also SEMARNAT estimates that 45 percent of the established capacity is currently occupied in a series of sustainable forest management programs. The annual timber growth rate is estimated at 35.1 thousand ^{M3} a year. The average productivity in temperate forests is only 1.2 ^{M3} per hectare per year, and in tropical forests is 0.5 ^{M3} per hectare per year, due to poor forest management.

Almost all Mexico's forestry timber production comes from native forest, as the commercial forestry plantations are of recent creation and have not yet entered into production.

Based on SEMARNAT's data, the total standing inventory of commercial forests is 2.803 billion ^{M³}, of which 1.8 billion is from temperate forests and 1.0 billion is from tropical forests. Pine represents 80-85 percent of total round wood production.

DISTRIBUTION OF STANDING VOLUME BY STATE AND SPECIES IN MAIN PRODUCING AREAS FOR 2001 (Percentage)			
STATE	Conifers	Temperate Hardwoods	Tropical Hardwoods
Baja California Sur			8.1
Campeche			15.8
Chiapas			9.9
Chihuahua	19.3	2.5	
Durango	29.3	30.9	
Guanajuato		3.6	
Guerrero			4.2
Hidalgo		2.1	
Jalisco	4.3	5.8	3.3
Michoacan	17.1	17.5	
Nuevo Leon			2.5
Oaxaca	7.5		
Puebla	4.5	7.4	
Quintana Roo			15.4
Sinaloa			1.3
Sonora		12.9	
Tamaulipas			22.3
Veracruz	2.3	1.8	
Other	15.7	15.5	16.0
	100.0	100.0	100.0

Source: SEMARNAT

MAIN SPECIES AND SHARE OF PRODUCTION 2001	
SPECIES	PERCENTAGE
Pine	80.6
White Fir	3.7
Other Conifers	0.4
Oaks	9.7
Other Temperate Hardwoods	2.3
Mahogany cedar	0.3
Common Tropical	2.9

Source: SEMARNAT

FOREST PRODUCTION	2001	2002 p/	2003 f/
Round wood (1000 m ³)	8,124	7,500	7,650
Sawn wood & Peeler logs	5,556	5,163	5,228
Cellulose	1,028	1,161	1,185
Posts, Piles, round wood beams	216	156	160
Firewood	704	564	575
Sleepers	102	61	96
Plywood & Veneer	518	395	406
Other Products (Ton)	276,292	255,070	260,000
Resins	35,012	32,317	32,948
Gums	7	5	7
Oils Waxes	50	51	55
Fibers	840	787	790
Other, including mulch	240,383	221,910	226,200
Species (meters ³)	8,124,571	7,500,000	7,650,000
Pine	6,551,720	6,048,000	6,168,960
White Fir	301,965	279,000	284,580
Other Conifers	35,523	33,000	33,660
Oak	785,155	724,500	738,990
Other Temperate Hardwoods	188,645	174,000	177,480
Mahogany & Cedar	22,293	20,250	20,655
Common Tropical	239,270	221,250	225,675

p/ Preliminary

f/ Forecast

Source: SEMARNAT

Fuel wood continues to be the main source of energy for cooking and home heating in many rural areas. Its national consumption has been estimated at 37 million m³/year. Forests are also important areas for grazing, and in tropical areas they are also used in rotation under traditional slash and burn agriculture practices.

Illegal cutting is a common practice in the forest sector of rural Mexico. The illegal cutting has been estimated at 13 millions m³/year. Some sources believe that in 2002 those practices could increase, due to the economic recession and unemployment. As a result, SEMARNAT has continued to review logging permits throughout Mexico in an attempt to decrease illegal logging.

The annual deforestation rate continues to be a severe problem. Mexico has one of the highest deforestation rates in the world, averaging approximately 600,000 hectares/year. Forest land conversion to livestock and other agricultural activities has been the dominant cause of deforestation during the last three decades in all regions and forest types. Moreover, most of the Mexican government's attention over the past several decades has been oriented to agriculture and cattle-farming and has ignored the needs of the timber

industry. Other important causes of deforestation include insects, diseases, and forest fires, which are frequently caused by peasants igniting adjacent grazing lands.

Although highly variable, during the period 1995 - 2001 the annual average area affected by forest fires was 241,181 ha. During the first eight months of 2002, the number of forest fire were approximately 20 percent lower than the annual average. Official sources estimated that final numbers for 2002 will not change substantially, as the rain season has been fairly normal. Available SEMARNAT data on numbers of fires and affected area are as follow:

YEAR	FOREST FIRES	AFFECTED AREA (HECTARES)
2000	8, 557	235,915
2001	6, 340	136, 879
2002*	8,155	198,178

* Data as of August, 2002

The breakdown of fires by type of affected area for the first eight months of 2002 is the following: grazing land (87,619 has.), forest area (31,639 has.), and other (78,920 has.). Mexican states most affected by fire in 2002 were: Oaxaca (37,670 has.), Chiapas (25,713 has.), Guerrero (20,448 has.), Chihuahua (17,001 has.), Durango (13,100 has.), Campeche (13,106 has.) and Jalisco (11,213 has.).

Programs

The National Forest Commission, CONAFOR (see MX1176), continues to coordinate the main government programs such as the National Reforestation Program (PRONARE), the National Forest Development Program (PRODEFOR), and the National Program for the Promotion of Forest Plantations (PRODEPLAN).

PRODEFOR (see MX0154) is a national plan which has operated since 1997 and which is oriented toward the development of common lands and their communities (ejidos). In 2002, the GOM will assign approximately 220 million pesos (roughly US\$22.0 million) for this program, assuming the state governments contribute their proportional share. Moreover, the GOM specified the amounts to be distributed by different activities such as technical studies, forest management programs, promotion of handling practices to increase productivity (such as pre-clearing and pruning), and construction of forest roads to fight forest fires, etc. The breakdowns of activities and the maximum amounts to be supported are as follow:

I. FOREST PRODUCTION	
1) Forest Managment Programs	Maximum Unitary Cost (Pesos)
1.1) Manifestations of Environmental Impact	
50 - 100 hectares	15,700 / manifestation
101 - 500 hectares	26,250 / manifestation
501 - 1000 hectares	42,000 / manifestation
>1000 hectares	63,000 / manifestation
2) Community forestry (organization)	70,000 / project
3) Training	50,000 / event
4) Technical Assitant (Project)	52,500 / event
5) Execution of handling program	315,000 / project
6) Equipment to the forester	315,000 / project
7) Forest roads (secondary breaches)	1,000,000 / project
II. FOREST PRODUCTIVITY	
	Maximum Unitary Cost (Pesos)
8) Pre-clearing and pruning	475/ha.
9) Clean of forest properties	350/ha.
10) Sustainable Forest handling Certification	
50 - 100 has.	5,000 / project
>100 has.	50 / project
11) Applied investigation and technology transfer	150,000 / Event
III. PRODUCTIVE CHAINS	
12) Equipment & Installation	3,000 / project
13) Equipment for re-process	3,000 / project
14) Supports for Commercialization	73,500/ project
15) Certification Process	50,000/ project
IV. PRODUCTIVE DIVERSIFICATION	
16) Technical studies for the use of not wood products	49/Ha.
17) Execution of Environmental Services	500,000/ Investment
18) Execution of Ecological Tourism	500,000/ Investment
Exchange rate: U.S.\$1 = 10.05 pesos	

In addition, the GOM has continued its forestry development program, “The Forestry Plantations Support Program” (PRODEPLAN). It allocated 546.2 million pesos (US\$54.3 million) for the program during 2002. According to SEMARNAT, the objective in 2002 is to develop 89,000 has. of commercial forestry plantations. In 2001, SEMARNAT allocated 285.9 million pesos (U.S.\$28.4 million).

Reforestation continues to be an important issue for the GOM. Its principal reforestation program continues to be its, "National Program of Reforestation" (PRONARE – see MX7103 and MX 8124). The objective of this program is to reforest rural areas with native species that possess desirable genetic characteristics. SEMARNAT data indicates that the objective in 2002 is to reforest 210,000 ha. under PRONARE. In addition, one fundamental element of PRONARE is the restoration, recovery and enrichment of those lands which are affected by deterioration, as well as forestall mass, as a result of clearing of trees, changes in land use, pests, and fires. In 2002, the GOM allocated 423.2 million pesos (U.S.\$43.0 million) for this program.

Industry Structure and Constraints

The most current annual statistics of forest production published by SEMARNAT in 1999 showed that there were 3,497 wood processing related businesses in Mexico. Of these wood processing operations, 2,058 were identified as lumber mills, 65 were plywood and board panels manufacturers, 515 were wooden crates and bins factories, 60 were furniture manufacturers, 64 were paper mills, and 735 participated in other types of wood processing. While the Mexican forest industry has a total production capacity of 20.8 million m³/per year, no more than 50 percent capacity is ever used. Mexican mills are generally the property of the private sector, but a few are operated by *ejidos*. The level of technology is, in general, outdated. Most of the industry is located in the northern states of Durango and Chihuahua as well as Michoacan.

The structure of Mexico's forestry industry continues to be characterized by small-scale production units which focus on extracting and planting. In general, the industry is not very efficient. The severe lack of logging roads, specialized equipment, and skilled manpower make most of the timber inaccessible. Road infrastructure is generally poor and inadequately maintained, which limits market accessibility. Only approximately 30 percent of forested areas in the six main producing states has adequate road infrastructure to permit harvesting. The lack of government support in this area has forced many forest landowners to make investments in road infrastructure which has increased their production costs for wood products. Other factors that explain the high transportation cost include the seasonality of supply, poor transportation equipment, and the lack of competition in the transportation industry. The resulting transportation costs faced by sawmills average 50-60 percent of the total raw material cost.

Solid Wood Products Overview

Annual roundwood production in 2002 is expected to decreased to 7.5 million M³ from 8.1 million M³ in 2001. This lower harvest is attributed to the Mexican economic recession, which lowered demand for roundwood. Moreover, approximately 80 percent of production continues to occur on lands which have been owned under the *ejido* structure, where the land can only be contracted out for a year at a time. As a result, forestry companies have found it financially risky to invest in the necessary infrastructure, as they cannot depend on the right to be able to harvest the land in succeeding years. Under the assumption that there will be a gradual recovery in the Mexican economy, round wood production for 2003 is forecast to increase slightly, due to renewed demand from the domestic furniture and construction sectors.

Price distortions in round wood play a fundamental role in determining wood use in Mexico. Prices for standing stump wood and delivered prices generally conform to market demands, particularly in the higher grades and species. It should be noted that it is very difficult to find reliable information on Mexican costs of production and producer prices. According to industry sources in Durango, the main producing state, currently the producer price of round wood is U.S.\$80.00 per cubic meter.

Softwoods continue to dominate the Mexican forest products industry. Domestic softwoods currently claim an estimated 90 percent of the domestic furniture, flooring, and paneling markets in the country. Mexico maintains a ban on the export of coniferous sawn wood in the rough since this type of wood is cut illegally and channeled irregularly to the manufacturing of moldings and sidings. Production of tropical species is the least developed of roundwood production in Mexico, due to the lack of technology and lack of knowledge regarding the uses of Mexico's wide range of tropical species.

Softwood Logs PS&D Table.

PSD Table						
Country	Mexico					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	8075	6889	8501	6360	0	6500
Imports	10	10	11	2	0	3
TOTAL SUPPLY	8085	6899	8512	6362	0	6503
Exports	0	1	1	1	0	1
Domestic Consumption	8085	6898	8511	6361	0	6502
TOTAL DISTRIBUTION	8085	6899	8512	6362	0	6503

Production

Softwood logs are estimated to increase slightly to 6.5 million m³ in MY 2003, assuming the Mexican economy begins to recover, particularly in the construction and furniture industries. The production figure for MY 2001 has been revised downward to reflect official data from SEMARNAT. Similarly, production estimated for MY 2002 has been decreased to 6.3 million m³, reflecting the recession in 2001 and part of 2002. According to industry sources in the state of Durango, practically all the forest industry has been adversely affected by this recession. For example, two manufacturing companies of paper and cellulose were closed in Chihuahua and Jalisco (Atenquique), due to the economic recession. Reportedly, the paper and cellulose sectors have been some of the most adversely affected by the economic recession in 2001. Similarly, the construction and furniture sectors in Mexico have been negatively impacted by the 0.3 percent decline in GDP in 2001. The construction sector output, for example, decreased 4.5 percent in 2001, while the output from the wood and wood products sector declined 4.5 percent. However, some private

analysts estimate that the outlook for 2003 is more favorable, as some economic indicators have begun to show a positive trend. Indicators for May and June of 2002 show some recovery. Domestic demand spurred growth, especially investment.

Consumption

Overall consumption will increase approximately 3 percent in MY 2003. However, this increase assumes a certain level of growth in the construction sector. The consumption estimate for MY 2001 has been revised downward to reflect the most recent information. Similarly, the consumption estimate for MY 2002 has decreased as a result of the slowdown in the Mexican economy.

According to SEMARNAT data, the demand for softwood logs in 2001 was dominated by the sawmill industry (68 percent). The great majority of the sawmills, however, continue to be old, inefficient and poorly located. Weak demand forced sawmills to operate at lower capacity in 2002, than that compared to a year ago. The second most important consumer of softwood is the paper industry (13 percent) followed by the plywood industry (6 percent), and the firewood industry (3 percent). The rest of the demand comes from the railroad, telephone and electricity industries. Pine continues to be the most consumed softwood species; White fir, Juniper and Mountain Cypress round out the volumes of softwood log consumption.

Trade

In 2003, imports are forecast to increase slightly because the Mexican economy is expected to recover. Conversely, softwood log exports to the United States are forecast to remain flat, due to the strategy of Mexico's largest wood and wood product exporters' continued emphasis on higher value-added products, such as moldings, rather than softwood logs. Imports estimated for MY 2001 remained unchanged. Import and export data for MY 2002 have decreased according to preliminary official data and industry sources. There is a difference between official Mexican data and U.S. census data.

Trade Matrix

<i>SOFTWOOD LOGS</i>		H.S. 4403.20		UNITS: <i>CUBIC METERS</i>	
EXPORTS FOR 2000 TO:				IMPORTS FOR 2000 FROM:	
U.S.		370	U.S.		9,505
OTHER		0	OTHER		0
TOTAL OF OTHER		0	TOTAL OF OTHER		0
OTHERS NOT LISTED		0	OTHERS NOT LISTED		0
GRAND TOTAL		370	GRAND TOTAL		9,505

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

<i>SOFTWOOD LOGS</i>		H.S. 4403.20	UNITS: <i>CUBIC METERS</i>	
EXPORTS FOR 2001 TO:			IMPORTS FOR 2001 FROM:	
U.S.		1,223	U.S.	9,918
OTHER			OTHER	
JAPAN		80	CHILE	148
TOTAL OF OTHER		80	TOTAL OF OTHER	148
OTHERS NOT LISTED		0	OTHERS NOT LISTED	0
GRAND TOTAL		1,303	GRAND TOTAL	10,066

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

Temperate Hardwood Logs PS&D Table.

PSD Table						
Country	Mexico					
Commodity	Temperate Hardwood Logs			1000 CUBIC METERS		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	1123	974	1190	899	0	915
Imports	9	35	11	10	0	11
TOTAL SUPPLY	1132	1009	1201	909	0	926
Exports	6	2	6	1	0	2
Domestic Consumption	1126	1007	1195	908	0	924
TOTAL DISTRIBUTION	1132	1009	1201	909	0	926

Production

FAS/Mexico forecasts temperate hardwood log production to increase to 915 million meters³ in 2003, the majority of which will be oak and the balance ash, alder, mesquite, ebony and madrone.

This increase is due to the expected gradual recovery in the economy and the growth in the furniture sector. According to industry sources, the production trend of Mexican furniture plants continues to be towards more simple processes using innovative technology and towards use of tropical hardwoods. In 2001, temperate hardwood log production represented approximately 13 percent of total Mexican round wood production. The production estimates for 2001 and 2002 (preliminary data) have been revised downward according to official SEMARNAT data.

Consumption

Consumption decreased in MY 2002, continuing the negative consumption trend of MY 2001. For 2003, however, a slight increase is estimated, due to expectations of better economic performance in the forest products processing industry, particularly the furniture, molding, and flooring sectors. As a result, these sectors will continue to be prime candidates for US raw material imports.

Trade

In MY 2003, exports of temperate hardwood logs are forecast to increase to 2,000 m³, while imports are estimated to increase slightly to 11,000 m³, due to increased consumption from some Mexican furniture plants, which are becoming more aware of the potential uses and resistant features of the temperate hardwoods species. Import and export figures in MY 2001 have been revised upward and downward respectively, in accordance with final official data and due to furniture manufacturers' increased demand

for temperate hardwood, especially for flooring and furniture. Import and export figures in MY 2002 have revised downward in accordance with preliminary official data. Mexican data and U.S. Census data differ substantially on temperate hardwood import/export data.

Trade Matrix

TEMPERATE HARDWOOD LOGS H.S. 4403.9^a		UNITS: CUBIC METERS	
EXPORTS FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
U.S.	72	U.S.	25,171
OTHER		OTHER	
JAPAN	1,961		
TAIWAN	413		
TOTAL OF OTHER	2,374	TOTAL OF OTHER	0
OTHERS NOT LISTED	399	OTHERS NOT LISTED	0
GRAND TOTAL	2,845	GRAND TOTAL	25,171

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

TEMPERATE HARDWOOD LOGS H.S. 4403.9^a		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	136	U.S.	34,651
OTHER		OTHER	
JAPAN	713	CANADA	93
HONG KONG	322		
TOTAL OF OTHER	1,035	TOTAL OF OTHER	93
OTHERS NOT LISTED	357	OTHERS NOT LISTED	0
GRAND TOTAL	1,528	GRAND TOTAL	34,744

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^a Expressed values for HS 4403.9 consolidates the following subheadings: 4403.91, 4403.92 & 4403.99

Softwood Lumber PS&D Table

PSD Table						
Country	Mexico					
Commodity	Softwood Lumber		1000 CUBIC METERS			
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	2826	2346	2980	2163	0	2210
Imports	1134	2743	1200	2937	0	3020
TOTAL SUPPLY	3960	5089	4180	5100	0	5230
Exports	80	57	85	20	0	30
Domestic Consumption	3880	5032	4095	5080	0	5200
TOTAL DISTRIBUTION	3960	5089	4180	5100	0	5230

Production

Softwood production is forecast at 2.210 million m³ in MY 2003, assuming a recovery in the construction and furniture sectors. The MY 2001 and 2002 production figures have been revised downward according to most recent industry information. Moreover, the 8 percent drop in the MY 2002 estimate reflects decreased demand in the construction industry, due to the economic slowdown. It should be noted, however, that also there was an important substitution process between domestic and low-priced imported softwood lumber, mainly from Chile (see Trade Section below).

Consumption

The construction demand for softwood lumber will likely outpace domestic supplies, due to the expected gradual recovery in the Mexican economy. As a result, 2003 imports are forecast to increase to nearly 80,000 meters³ from 2.9 million meters³. At the same time, consumption is expected to increase in 2003 to 5.2 million meters³. Consumption estimates for 2001 and 2001 have been revised upward, reflecting the most recent industry information and a stronger than expected demand for packing purposes, furniture, assembly plants (maquiladoras) and for concrete forming, even with the economic downturn in 2001 and part of 2002.

Trade

The import estimates for MY 2001 have been revised upward, based on official Secretariat of Economy (SE) data and on the continued increase of Chilean lumber imports. Chile has continued its aggressive incursion into the Mexican softwood lumber and plywood market by offering good quality, low-priced

products. During CY 2001, for example, softwood lumber imports again increased sharply — from 948,875 m³ in CY2000 to nearly 2.0 million m³. Chilean wood products imported by the Mexican industry, have benefited from the Mexico-Chile Free Trade Agreement. According to industry sources, the increase in Chilean imports has come at the expense of both the Indonesian tropical plywood and the U.S. softwood lumber imports. For MY 2002, the import estimate of sawn softwood has been revised upward but remains practically unchanged from the revised 2001 estimate. In MY 2003, imports are forecast to increase approximately 2 percent based on the assumptions that demand for imported sawn wood for the construction sector and flooring can recover.

Mexican exports of high quality softwood in 2003 are expected to increase slightly to 30,000 m³. Mexican laws mandate sustainable yield practices, but budget constraints continue to preempt proper marketing and full enforcement. FAS/Mexico has revised downward exports estimates for MY 2001 and 2002 (preliminary data for this year) based on final official data, which also reflects the prices hikes of the Mexican softwood lumber in the last two years.

Trade Matrix

SOFTWOOD LUMBER		H.S. 4407.1 ^c	UNITS: CUBIC METERS	
EXPORTS FOR 2000 TO:			IMPORTS FOR 2000 FROM:	
U.S.		74,515	U.S.	299,515
OTHER			OTHER	
CUBA		1,744	CHILE	942,876
			BRAZIL	31,832
TOTAL OF OTHER		1,744	TOTAL OF OTHER	974,708
OTHERS NOT LISTED		889	OTHERS NOT LISTED	105,132
GRAND TOTAL		77,148	GRAND TOTAL	1,379,355

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

SOFTWOOD LUMBER H.S. 4407.1^c		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	46,970	U.S.	549,945
OTHER		OTHER	
ARGENTINA	3,892	CHILE	1,991,944
		BRAZIL	99,271
TOTAL OF OTHER	3,892	TOTAL OF OTHER	2,091,215
OTHERS NOT LISTED	3,983	OTHERS NOT LISTED	102,265
GRAND TOTAL	54,845	GRAND TOTAL	2,743,425

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^c Expressed values for HS 4407.1 consolidates the following subheadings: 4407.10.01, 4407.10.02, 4407.10.03 & 4407.10.99

Temperate Hardwood Lumber PS&D Table.

PSD Table						
Country	Mexico					
Commodity	Temperate Hardwood Lumber			1000 CUBIC METERS		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	528	438	560	405	0	415
Imports	385	336	400	320	0	325
TOTAL SUPPLY	913	774	960	725	0	740
Exports	4	1	5	0	0	1
Domestic Consumption	909	773	955	725	0	739
TOTAL DISTRIBUTION	913	774	960	725	0	740

Production

Total MY 2003 temperate hardwood lumber production is estimated to grow slightly at approximately 415,000 m³, 2 percent higher than the revised MY 2002 estimate, as domestic demand from the furniture industry recovers. The production estimate for MY 2001 has been revised downward to reflect official data from SEMARNAT.

Consumption

Consumption figures for MY 2001 and 2002 have been revised sharply downward, reflecting the economic downturn. For MY 2002, consumption is forecast to increase to 739,000 m³ or 2 percent above MY 2002. Recent consumption patterns indicate that, while Mexico is the fourth most important export market for both red oak and tulipwood, these two traditionally popular species in Mexico are beginning to lose ground to maple, whose volume has increased by 17.3 percent during the last two years. Experts within furniture manufacturers' associations throughout Mexico attribute this increase to the growing popularity of maple furniture and flooring among higher income families who purchase maple furniture at high-end department stores.

Trade

Import estimates for MY 2001 and 2002 have decreased, based mostly on official SE data. Also, the MY 2001 and 2002 export estimates have been revised downward based on SE data. In MY 2003, Mexican imports of temperate hardwood lumber are forecast to increase to 325,000 m³, due to stronger demand from the furniture industry and increased awareness of species like maple.

Trade Matrix

TEMPERATE HARDWOOD LUMBER H.S. 4407.9^d		UNITS: CUBIC METERS	
EXPORTS FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
U.S.	2,841	U.S.	334,835
OTHER		OTHER	
CUBA	386	BRAZIL	109,323
		PERU	4,559
TOTAL OF OTHER	386	TOTAL OF OTHER	114,492
OTHERS NOT LISTED	515	OTHERS NOT LISTED	3,929
GRAND TOTAL	3,742	GRAND TOTAL	453,256

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

TEMPERATE HARDWOOD LUMBER H.S. 4407.9^d		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	842	U.S.	156,996
OTHER		OTHER	
JAPAN	134		175,640
			1,856
TOTAL OF OTHER	134	TOTAL OF OTHER	177,496
OTHERS NOT LISTED	484	OTHERS NOT LISTED	1,923
GRAND TOTAL	1,460	GRAND TOTAL	336,415

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^d Expressed values for HS 4407.9 consolidates the following subheadings: 4407.91.01, 4407.92.99, 4407.99.01, 4407.99.02, 4407.99.03, 4407.99.04, 4407.99.05 & 4407.99.99.

Tropical Hardwood Lumber PS&D Table

PSD Table						
Country	Mexico					
Commodity	Tropical Hardwood Lumber			1000 CUBIC METERS		
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	186	132	197	122	0	124
Imports	25	35	30	45	0	46
TOTAL SUPPLY	211	167	227	167	0	170
Exports	0	1	0	0	0	0
Domestic Consumption	211	166	227	167	0	170
TOTAL DISTRIBUTION	211	167	227	167	0	170

Production

In MY 2002, Mexican tropical hardwood lumber production is estimated in 122,000 m³. Production figures for MY 2001 have been revised downward, according to official final data. An approximate 2 percent increase in production is expected in MY 2003, due to the anticipated recovery of the Mexican economy. Tropical hardwood log production has remained at low levels, due to poor technology, depletion of jungle areas, and the remote location of some species. According to CONAFOR, Selva Lacandona and Selva Uxpanapa-Chimalapas-El Ocote in Southern Mexico are among the most deforested areas in Mexico.

Consumption

Domestic mahogany and red (Spanish) cedar continue to dominate the marketplace. Mahogany is the most popular wood, due to the status and tradition associated with it. These woods are used in expensive furnishings. Domestic consumption estimates of tropical hardwood lumber have been revised downward in MY 2001 and 2002 to 167,000 m³, according to recent industry information. In some parts of southern Mexico, tropical hardwood continues to be used in concrete formings. That area, along with the rest of Mexico has seen decreased activity in the construction sector during CY 2002. Domestic consumption of tropical hardwood lumber is forecast to increase to 170,000 m³ in MY 2003.

Trade

Despite the fact that SE's official data shows a considerable increase (more than 400 percent) in MY 2001

and MY 2002 (preliminary data), FAS/Mexico's estimates have been revised upward, in accordance with estimates from private sources. It should be noted that no private or other government source, including SEMARNAT, concurred with SE's estimate. Imports of tropical lumber will increase slightly in MY 2003, assuming a renewed demand for finished products, such as furniture and flooring.

Trade Matrix

TROPICAL HARDWOOD LUMBER H.S. 4407.2°		UNITS: CUBIC METERS	
EXPORTS FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
U.S.	0	U.S.	607
OTHER		OTHER	
CUBA	97	PERU	19,558
		BRAZIL	6,719
TOTAL OF OTHER	97	TOTAL OF OTHER	26,277
OTHERS NOT LISTED	0	OTHERS NOT LISTED	3,690
GRAND TOTAL	97	GRAND TOTAL	30,574

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

TROPICAL HARDWOOD LUMBER H.S. 4407.2°		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	344	U.S.	284
OTHER		OTHER	
CUBA	370	PERU	213,715
		INDONESIA	2,738
TOTAL OF OTHER	370	TOTAL OF OTHER	216,453
OTHERS NOT LISTED	131	OTHERS NOT LISTED	19,911
GRAND TOTAL	845	GRAND TOTAL	236,648

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^e Expressed values for HS 4407.2 consolidates the following subheadings: 4407.24.01, 4407.24.99, 4407.25.01, 4407.26.01, 4407.29.01 & 4407.29.99

Softwood Plywood PS&D

PSD Table						
Country	Mexico					
Commodity	Softwood Plywood		1000 CUBIC METERS			
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	175	144	180	115	0	140
Imports	163	168	170	195	0	188
TOTAL SUPPLY	338	312	350	310	0	328
Exports	6	3	7	1	0	1
Domestic Consumption	332	309	343	309	0	327
TOTAL DISTRIBUTION	338	312	350	310	0	328

Production

The production estimate for MY 2002 has been revised downward to 115,000 m³, which is 20 percent lower than the revised estimate for MY 2001. Both figures reflect ANAFATA data. FAS/Mexico expects production of softwood plywood to increase in MY 2003 to 140,000 meters³ as a result of an anticipated recovery in the Mexican economy. This forecast also assumes that the GOM will impose countervailing duties for some exporter countries, as a result of an expected safeguard action (see MX 2115).

According to the National Plywood Manufacturers Association (ANAFATA), domestic production continues to show a negative downward trend due to several problems: 1) Mexico's plywood industry continues to be small by international standards; 2) limited availability of raw materials; 3) domestic prices which are approximately 25 percent higher than international prices; 4) strong import competition. There are 16 plywood plants, which have been hurt in recent years by both import competition from Chile, Malaysia and the United States. As evidence of increasing import competition, the plywood industry operated at only 50-percent capacity in CY 2002. These problems have reduced substantially Mexico's plywood industry's competitiveness and led to ANAFATA's decision to petition the GOM to initiate a safeguard investigation.

ANAFATA also stated that as a result of decreasing production, some plywood plants have closed

indefinitely in the last few years, such as: Triplay Jalisco; Triplay Madera del Norte; Plywood Ponderosa de Chihuahua and Durango (Plant 2); Triplay de Oaxaca; El Fuerte and Pino Play.

Consumption

Domestic consumption for softwood plywood is expected to increase approximately 6 percent in MY 2003, as a result of an anticipated recovery in Mexico's economy. The primary use of softwood plywood is in the construction industry. Consumption estimates for MY 2001 and MY 2002 have declined, due to the recession in the economy and the consequent cut back in the Mexican construction activity.

AVERAGE PINE PLYWOOD PRICES, 2002 MEXICAN PESOS PER SHEET		
Thickness Millimeters)	Size (Meters)	F.O.B. Price Plywood plant
3	1.22 x 2.44	45
6	1.22 x 2.44	69
9	1.22 x 2.44	105
12	1.22 x 2.44	130
16	1.22 x 2.44	150
19	1.22 x 2.44	186

Source: ANAFATA

Rate of Exchange: 10.05 Pesos to 1.00 USD

Trade

Import estimates of softwood plywood have been revised downward to 168,000 m³ in MY 2001, reflecting official final data from SE. For MY 2002, the import estimate has been revised upward to 195,000 m³, due to lower domestic production than previously estimated. MY 2003 imports of softwood plywood could decline to 188,000 m³, if countervailing duties are imposed on certain exporting countries. Export estimates for MY 2001 and 2002 have been revised downward based on official SE data.

Trade Matrix

<i>SOFTWOOD PLYWOOD</i> 4412.1 ^f		H.S.	UNITS: <i>CUBIC METERS</i>	
EXPORTS FOR 2000 TO:			IMPORTS FOR 2000 FROM:	
U.S.		5,667	U.S.	120,670
OTHER			OTHER	

BELIZE	2	CHILE	32,392
TOTAL OF OTHER	2	TOTAL OF OTHER	32,392
OTHERS NOT LISTED	0	OTHERS NOT LISTED	13,115
GRAND TOTAL	5,669	GRAND TOTAL	166,177

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

SOFTWOOD PLYWOOD H.S. 4412.1^f		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	2,495	U.S.	109,548
OTHER		OTHER	
COSTA RICA	37	CHILE	46,050
TOTAL OF OTHER	37	TOTAL OF OTHER	46,050
OTHERS NOT LISTED	107	OTHERS NOT LISTED	12,574
GRAND TOTAL	2,639	GRAND TOTAL	168,172

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^f Expressed values for HS 4412.19 consolidates the following subheadings: 4412.19.01, 4412.19.02 & 4412.19.99

Temperate Hardwood Plywood PS&D Table.

PSD Table	Mexico					
Country						
Commodity	Hardwood Plywood		1000 CUBIC METERS			
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Production	12	10	13	8	0	9
Imports	20	25	22	21	0	23
TOTAL SUPPLY	32	35	35	29	0	32
Exports	0	0	0	0	0	0
Domestic Consumption	32	35	35	29	0	32
TOTAL DISTRIBUTION	32	35	35	29	0	32

Production

Production is forecast to increase slightly in MY 2002 to 9,000 m³. This increase is due primarily to the anticipated recovery of the furniture industry, which is expected to increase its sales in both domestic and foreign markets. Production of temperate hardwood plywood will decrease to 8,000 m³ in MY 2002 according to reliable industry sources. Production figures for MY 2001 were obtained from ANAFATA.

Consumption

Temperate hardwood logs of good veneer quality are scarce in Mexico, which has forced the importation of veneers and logs to fill the vacuum. These are primarily oak and walnut logs with some ash and oak veneers. As the furniture industry responds to the expected economic recovery in CY 2003, the consumption of temperate hardwood plywood is projected to increase to approximately 32,000 m³ in MY 2003. Mexican consumption of temperate hardwood plywood is filled primarily by imports from the U.S., Ecuador, Indonesia and Brazil.

Trade

Import estimates for MY 2001 and 2002 have been revised upward and downward respectively, in accordance with SE's final official data (preliminary data for 2002). Again, it should be pointed out that there are wide discrepancies between the official SE and U.S. Census data (especially the data of Mexican imports from U.S.). Nevertheless, imports are forecast to increase, based on the assumption that the peso remains stable throughout CY 2002.

Trade Matrix

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14^g		UNITS: CUBIC METERS	
EXPORTS FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
U.S.	140	U.S.	1,830
OTHER		OTHER	
SPAIN	34	ECUADOR	10,562
TOTAL OF OTHER	34	TOTAL OF OTHER	10,562

OTHERS NOT LISTED	0	OTHERS NOT LISTED	11,526
GRAND TOTAL	174	GRAND TOTAL	23,918

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14^g		UNITS: CUBIC METERS	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	112	U.S.	1,640
OTHER		OTHER	
		ECUADOR	11,268
		BRAZIL	3,189
TOTAL OF OTHER	0	TOTAL OF OTHER	14,457
OTHERS NOT LISTED	0	OTHERS NOT LISTED	9,137
GRAND TOTAL	112	GRAND TOTAL	25,234

SOURCE: World Trade Atlas. Mexico Edition. June 2002.

^g Expressed values for HS 4412.14 consolidates the following subheadings: 4412.14.00 & 4412.14.99

Strategic Indicator Table

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 4/	Total Cost of Import	Export Tax
Country: Mexico	Product Description					
Report Year: 2002						
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.					
4401.10.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms.	EX	N/A	20.00	N/A	EX
4401.21.01	Coniferous. 1/	1.00	N/A	13.00	N/A	EX
4401.22.01	Nonconiferous.	EX	N/A	13.00	N/A	EX
4401.30.01	Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	1.00	N/A	13.00	N/A	EX
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.					
4403.10.01	Treated with paint, stain, creosote or other preservatives. 1/	1.00	N/A	13.00	N/A	EX
4403.20.99	Other, coniferous.	1.00	N/A	13.00	N/A	EX
4403.41.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	13.00	N/A	EX
4403.49.01	Other.	EX	N/A	13.00	N/A	EX
4403.49.99	Other.	1.00	N/A	13.00	N/A	EX
4403.91.01	Of oak (Quercus spp.).	EX	N/A	13.00	N/A	EX
4403.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4403.99.99	Other.	1.00	N/A	13.00	N/A	EX
4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handlers or the like; chipwood and the like					
4404.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4404.10.99	Coniferous.	1.50	N/A	18.00	N/A	EX
4404.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4404.20.02	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.03	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.04	Nonconiferous.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	Total Cost	Export
Country: Mexico	Product Description	Current	Following	Import	of Import	Tax
Report Year: 2002		Year	Year	Taxes/Fees 4/		
4404.20.99	Nonconiferous.	EX	N/A	18.00	N/A	EX
4405	Wood wool (excelsior); wood flour.					
4405.00.01	Wood wool (excelsior); wood flour.	1.50	N/A	18.00	N/A	EX
4405.00.02	Wood wool (excelsior); wood flour.	1.50	N/A	18.00	N/A	EX
4406	Railway or tramway sleepers (cross-ties) of wood.					
4406.10.01	Not impregnated.	1.50	N/A	18.00	N/A	EX
4406.90.99	Other.	EX	N/A	18.00	N/A	EX
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding					
4407.10.01	Coniferous. 1/ 2/	1.00	N/A	13.00	N/A	EX
4407.10.02	Coniferous. 1/ 2/	1.00	N/A	18.00	N/A	EX
4407.10.03	Coniferous. 1/	1.00	N/A	13.00	N/A	EX
4407.10.99	Coniferous 2/	1.50	N/A	18.00	N/A	EX
4407.24.01	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	1.50	N/A	18.00	N/A	EX
4407.24.99	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	N/A	18.00	N/A	EX
4407.25.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4407.26.01	White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan.	EX	N/A	18.00	N/A	EX
4407.29.01	Other	EX	N/A	18.00	N/A	EX
4407.29.99	Other	EX	N/A	18.00	N/A	EX
4407.91.01	Of oak (Quercus spp.). 1/	1.50	N/A	18.00	N/A	EX
4407.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4407.92.99	Of beech (Fagus spp.).	EX	N/A	18.00	N/A	EX
4407.99.01	Other.	1.50	N/A	18.00	N/A	EX
4407.99.02	Other.	1.00	N/A	13.00	N/A	EX
4407.99.03	Other.	EX	N/A	13.00	N/A	EX
4407.99.04	Other.	EX	N/A	13.00	N/A	EX
4407.99.05	Other.	EX	N/A	18.00	N/A	EX
4407.99.99	Other. 1/	1.50	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	Total Cost	Export
Country: Mexico	Product Description	Current	Following	Import	of Import	Tax
Report Year: 2002		Year	Year	Taxes/Fees 4/		
4408	Veneer sheets and sheets for plywood (whether or not spliced) and other wood sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness not exceeding 6 mm.					
4408.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4408.31.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4408.39.99	Other.	EX	N/A	18.00	N/A	EX
4408.90.99	Other.	EX	N/A	18.00	N/A	EX
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jointed.					
4409.10.01	Coniferous.	EX	N/A	23.00	N/A	EX
4409.10.02	Coniferous	EX	N/A	13.00	N/A	EX
4409.10.99	Coniferous.	EX	N/A	23.00	N/A	EX
4409.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4409.20.99	Nonconiferous.	EX	N/A	23.00	N/A	EX
4410	Particle board and similar board of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.					
4410.11.01	Waferboard, including oriented strand board.	2.00	N/A	N/A	N/A	EX
4410.19.99	Other	2.00	N/A	N/A	N/A	EX
4410.90.01	Of other ligneous materials.	1.50	N/A	18.00	N/A	EX
4410.90.02	Of other ligneous materials.	2.00	N/A	N/A	N/A	EX
4410.90.99	Of other ligneous materials.	2.00	N/A	23.00	N/A	EX
4411	Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.					
4411.11.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.19.99	Other.	EX	N/A	18.00	N/A	EX
4411.21.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.29.99	Other.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	Total Cost	Export
Country: Mexico	Product Description	Current	Following	Import	of Import	Tax
Report Year: 2002		Year	Year	Taxes/Fees 4/		
4411.31.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.39.99	Other.	EX	N/A	18.00	N/A	EX
4411.91.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.99.99	Other	EX	N/A	18.00	N/A	EX
4412	Plywood, veneered panels and similar laminated wood.					
4412.13.01	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	2.00	N/A	23.00	N/A	EX
4412.13.99	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	1.50	N/A	18.00	N/A	EX
4412.14.99	Other, with at least one outer ply of nonconiferous wood.	1.50	N/A	18.00	N/A	EX
4412.19.01	Other, with both outer plies of coniferous wood.	N/A	N/A	18.00	N/A	EX
4412.19.02	Other, with both outer plies of coniferous wood.	1.50	N/A	N/A	N/A	EX
4412.19.99	Other, with both outer plies of coniferous wood.	2.00	N/A	23.00	N/A	EX
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	2.00	N/A	23.00	N/A	EX
4412.23.99	Other, containing at least one layer of particle board	1.50	N/A	18.00	N/A	EX
4412.29.99	Other.	2.00	N/A	23.00	N/A	EX
4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	2.00	N/A	23.00	N/A	EX
4412.93.99	Other, containing at least one layer of particle board.	1.50	N/A	18.00	N/A	EX
4412.99.99	Other.	2.00	N/A	23.00	N/A	EX
4413	Densified wood, in blocks, plates, strips or profile shapes.					
4412.00.01	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	13.00	N/A	EX
4413.00.02	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	18.00	N/A	EX
4413.00.99	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	23.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	Total Cost	Export
Country: Mexico	Product Description	Current	Following	Import	of Import	Tax
Report Year: 2002		Year	Year	Taxes/Fees 4/		
4414	Wooden frames for paintings, photographs, mirrors or similar objects.					
4414.00.01	Wooden frames for paintings, photographs, mirrors or similar objects.	EX	N/A	30.00	N/A	EX
4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums, of wood; pallets, box-pallets and other load boards, of wood; pallet collars of wood.					
4415.10.01	Cases, boxes, crates, drums and similar packings; cable-drums.	EX	N/A	23.00	N/A	EX
4415.20.01	Pallets, box-pallets and other load boards; pallet collars	2.00	N/A	23.00	N/A	EX
4415.20.99	Pallets, box-pallets and other load boards; pallet collars.	EX	N/A	23.00	N/A	EX
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.					
4416.00.01	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.	EX	N/A	Ex.	N/A	EX
4416.00.02	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.03	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.04	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.99	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.					
4417.00.01	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	18.00	N/A	EX
4417.00.99	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	23.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	Total Cost	Export
Country: Mexico	Product Description	Current	Following	Import	of Import	Tax
Report Year: 2002		Year	Year	Taxes/Fees 4/		
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled parquet panels; shingles and shakes.					
4418.10.01	Windows, French-windows and their frames.	EX	N/A	23.00	N/A	EX
4418.20.01	Doors and their frames and thresholds.	EX	N/A	23.00	N/A	EX
4418.30.01	Parquet panels.	EX	N/A	23.00	N/A	EX
4418.40.01	Formwork (shuttering) for concrete constructional work.	EX	N/A	23.00	N/A	EX
4418.50.01	Shingles and shakes.	EX	N/A	23.00	N/A	EX
4418.90.01	Other	EX	N/A	23.00	N/A	EX
4418.90.99	Other.	2.00	N/A	23.00	N/A	EX
4419	Tableware and kitchenware, of wood.					
4419.00.01	Tableware and kitchenware, of wood.	EX	N/A	30.00	N/A	EX
4420	Wood marquetry and inlaid wood; caskets and cases for jewelry or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94					
4420.10.01	Statuettes and other ornaments, of wood.	EX	N/A	30.00	N/A	EX
4420.90.99	Other.	EX	N/A	30.00	N/A	EX
4421	Other articles of wood.					
4421.10.01	Clothes hangers.	2.00	N/A	23.00	N/A	EX
4421.90.01	Other.	1.50	N/A	18.00	N/A	EX
4421.90.02	Other.	1.50	N/A	18.00	N/A	EX
4421.90.03	Other.	2.00	N/A	23.00	N/A	EX
4421.90.04	Other.	1.50	N/A	18.00	N/A	EX
4421.90.99	Other. 3/	2.00	N/A	23.00	N/A	EX
4422		N/A	N/A	N/A	N/A	N/A
4423		N/A	N/A	N/A	N/A	N/A
4424		N/A	N/A	N/A	N/A	N/A
4425		N/A	N/A	N/A	N/A	N/A
	Pre-fabricated Houses, a subsection under chapter 96	N/A	N/A	N/A	N/A	N/A

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 4/	Total Cost of Import	Export Tax
Country: Mexico	Product Description					
Report Year: 2002						
<p>1/ The import of merchandise from North America included in the tariff fractions indicated, will be exempt of taxes if included in a TRQ certificate issued by the Secretariat of Economy (SE)</p> <p>2/ The import of merchandise from North America included in the tariff fractions 4407.10, 4407.10.02 and 4407.10.99 will be exempt, whenever made by companies enrolled in the Secretariat of Economy Registry of Construction Companies and Wood Frame Structures Trade Companies, and certifying that these merchandise will be used exclusively in the construction of wood frames for the Construction Industry and fulfill the established requirements for such fractions in the list of Mexico, contained in Annex 302.2 of the North America Free Trade Agreement.</p> <p>3/ The import of merchandise from North America included in the indicated tariff fractions, will be exempt of taxes if imported only as wooden blinds.</p> <p>4/ Tariff rates applicable during 2002 for commodities from countries which Mexico has not signed any Free Trade Agreement, as published in the Mexican Diario Oficial (Federal Register) on January 18, 2002.</p>						